

**SPECIAL MEETING
COMMITTEE ON LANDS AND BUILDINGS**

May 10, 2004

4:30 PM

Chairman Thibault called the meeting to order.

The Clerk called the roll.

Present: Aldermen Thibault, Roy, Gatsas, Osborne, Porter

Messrs.: K. Sheppard, K. Edwards, L. Gammon, R. MacKenzie, S. Tellier

Chairman Thibault addressed Item 3 of the agenda:

Communication from Mrs. Georgie Reagan, on behalf of the Manchester Artist Association, proposing to make a \$500 per month donation to the Manchester Art Fund in exchange for guaranteed, exclusive occupancy of The McIninch Family Gallery at 1528 Elm Street.

(Note: accepted on 04/20/2004 pending review by Solicitor's Office.

Proposed agreement submitted by Solicitor's enclosed.)

Alderman Roy moved to approve the proposal. Alderman Osborne duly seconded the motion. Chairman Thibault called for a vote. There being none opposed, the motion carried.

Chairman Thibault addressed Item 4 of the agenda:

Communication from the Deputy Public Works Director, on behalf of the NH Flying Tigers R/C Club, Inc., requesting use of the Dunbarton Road Sanitary Landfill for model activities.

Alderman Porter moved the item for discussion. Alderman Osborne duly seconded the motion.

Alderman Porter asked could Mr. Sheppard tell us more about this.

Mr. Kevin Sheppard stated the NH Flying Tigers as you can see wrote a letter to Frank Thomas requesting the use of the landfill for their model airplane club. I guess it is typical in other areas of the state and the country of using landfills where it is a large open space. Basically we are forwarding this request to this

Committee to get the feeling of the Committee to see if it is something that would be acceptable. We really haven't discussed this in detail with them yet. Before we did that we wanted to get the opinions of this Committee before we enter into any agreements regarding use, time, access, etc. If it is something that this Committee thought would be an acceptable use of the landfill we would sit down with them and work with the City Solicitor's Office and Risk Manager to develop an agreement and possibly bring it back to this Committee.

Alderman Porter moved to table this item pending review.

Alderman Gatsas asked is there any way we can send this back to the Highway Commission for them to send forward a recommendation on this thing.

Mr. Sheppard answered sure. We can bring the NH Flying Tigers in to make a presentation to the Highway Commission regarding their proposed use and I am sure the Commissioners will have some questions, probably similar to questions you may have.

Chairman Thibault asked at that point, Kevin, are you saying that you will also talk to the City Solicitor and make sure that all of these things are in play before you come back to this Committee. I think what we are trying to get here from the Committee is a consensus that if everything is right should we do this or can we do this or do you want to do this.

Alderman Gatsas stated I would rather have the recommendation come from the Highway Commission.

Chairman Thibault stated Kevin why don't you put this thing together and make a little presentation to this Committee. Chances are we are in favor as long as we are well protected I imagine.

Alderman Roy stated Kevin in your review could you see what type of precedent it sets for all of our City parks and City owned properties.

Mr. Sheppard responded yes.

Alderman Roy duly seconded the motion to table. Chairman Thibault called for a vote. There being none opposed, the motion carried.

Chairman Thibault addressed Item 5 of the agenda:

Communication from Dick Dunfey, MHRC, advising that Easter Seals of

NH has offered to purchase and develop the French Hall property located on Hackett Hill for the full asking price of \$1.3 million; and further that upon approval by the city of sale, the MHRC would enter into a Purchase and Sales Agreement and prepare a Land Disposition Agreement for sale of the property.

Alderman Osborne moved the item for discussion.

Alderman Roy stated I have to recuse myself because of my long time relationship with Easter Seals and my wife's current employment with Easter Seals. I will be removing myself from discussion.

Chairman Thibault asked for the MHRA representatives to come forward.

Mr. Ken Edwards of the Manchester Housing and Redevelopment Authority stated if you recall at your last meeting there was discussion regarding the conditions of sale, which included the payment in lieu of taxes as discussed and proposed by Easter Seals and some discussion from the Committee regarding offsetting taxes by some use of the property that Easter Seals leases to the School Department on Auburn Street. Larry Gammon, the CEO of Easter Seals is here tonight. He sent a communication, I believe, to the Committee which explains some of the services that they provide. Mike Reed is also here representing Easter Seals to continue that discussion. I would like to turn it over with your permission to Larry Gammon of Easter Seals.

Mr. Larry Gammon stated I did send two letters down addressed to Alderman Thibault addressing the tax issue and our relationship with the School District and I would be happy to answer any questions. We did enter into this with the understanding that the City would be seeking additional revenue. We entered into this arrangement understanding what it would cost us to buy and build a building. It has gone up quite a bit since then – over \$2 million more than we thought it would be. I have prepared for you as best I could what we think we already do for the City so we would submit that as our request for taxes being waived or in lieu of taxes.

Alderman Osborne stated I read your letter and I guess the square footage now is running somewhere around \$11 is that correct.

Mr. Gammon responded that we are charging the City. I should point out and I sent a letter on April 27, which had one number and a letter on May 3 that had a different number in it. The letter of May 3 is the correct one provided to me by the financial officer. We had increased their square footage at one point during the relationship so it is roughly \$12.72/square foot.

Alderman Osborne asked so the services that are provided like electricity, heat and so forth brings it down to like \$5+ a square foot.

Mr. Gammon answered \$5.69/square foot.

Alderman Osborne stated so the rest of it is expenses.

Mr. Gammon answered yes it is.

Alderman Gatsas asked can you explain to me...you are showing me a number of what you are providing as City services as \$915,000 per year.

Mr. Gammon answered yes Sir.

Alderman Gatsas asked can you tell me why you haven't come back and talked about...obviously the funding of the program for the additions and construction of the project is how much.

Mr. Gammon stated the new program could be as much as \$8.1 million now. It could be a little higher. That is with purchase and construction.

Alderman Gatsas asked so the services that you are subsidizing...

Mr. Gammon interjected that is in our current operation. What I was attempting to show and I am sorry it is not clear is that in those five programs we are providing free or reduced price services that equal \$915,000 to current residents of Manchester in the Auburn Street facility or in our camp or as part of our transportation program. It is not related to the purchase of the building other than to show you what we think we already do in partnership with the City.

Alderman Gatsas asked so are you saying that for the transportation of...I would assume these would be special education children that you are transporting.

Mr. Gammon stated we get a very good rate from the School District and it covers direct costs. It does not cover our administration, which is about 10%. In addition to that we do services for the people in Manchester. We take people in senior homes to shopping, to hospitals, to volunteer activities and things like that. We subsidize that.

Alderman Gatsas asked can you tell me how much you receive from the City or the School District.

Mr. Gammon answered it is the neighborhood of \$1.4 million. It is a break even at best on direct.

Alderman Gatsas stated I guess I question how it is a break even on direct.

Mr. Gammon responded it is a very expensive program. We provide door-to-door. We provide monitors. We have no control if fuel overages escalate like crazy or wages. We have to purchase vehicles and keep them in decent running condition. It is a very expensive program. We provide monitors and other transportation companies don't always.

Alderman Gatsas asked don't you bid that program.

Mr. Gammon answered we bid it and they accept the bid every year.

Chairman Thibault stated I certainly have some problems with this too and let me tell you why. I think that the City as it is offers many, many opportunities to different beneficial companies or outfits like you people do and the City is finding itself more and more in a situation where there is going to have to be a limit as to how far we can go. We know that you provide great services. We are not questioning that but the City is looking into this park up there as a means of getting some tax revenue to decrease our tax rate. We are getting to a point where we can't afford to live here or some of the people can't afford to live here. My question is if you people, in fact, do buy this my feeling is and I am going to ask the rest of the Committee to see what they want to do but I would feel that the City certainly has to have money in lieu of taxes to the municipal part as well as the School part. The people that you are going to be hiring in this area certainly are going to have children and it is going to impact our schools and we are going to have to come to a point where we can recover some of this cost because we are running into a problem here in the City. I don't know how the rest of the Committee feels or if there is anyone that feels anything but that is the way I feel about it.

Alderman Porter stated I have a question and this came from Mr. Dunfey but Mr. Gammon perhaps you can answer this. In the initial letter that I had seen on March 18 or one of the letters it says "note we may require zoning variances and that negotiation with the City regarding payment for property taxes also is required." What did you people have in mind? Initially my understanding was that there would be a payment either entirely or a portion of what would be generated from that were it taxable. What did you have in mind?

Mr. Gammon responded when we made the presentation at that time we said that we would not want taxes to be the issue that would keep us from getting this

building. We didn't realize it would cost us \$2 million more than we thought but that is not your problem, it is ours. In this letter I offered all of these things that we do now and I did say in the paragraph that if that wasn't enough we would be willing to negotiate that. I guess we need to hear from you as to what you would like from us. The building is going to sell for \$1.3 million. I don't know what the taxes are worth on that. By the time we are finished with it, it would be worth \$8 million. I guess I can calculate what that is. We could never afford taxes on the full value because that would put us out of it. So it is somewhere between zero and that is where we would like to be if we have to offer something else. My purpose in writing this letter was a lot of people have no idea what we do. We are a large agency but not very good at telling people what we do so I thought by at least showing you what we already do it might soften your stance on how much you want.

Alderman Lopez stated I would like to ask Mr. MacKenzie in reference to the Hackett Hill plan that has been sitting there and staff has indicated that they want full taxes up there and they want to make it an industrial park and all of that has there been a different type of direction that we are going in because of this request now.

Mr. Robert MacKenzie responded when we discussed this with MHRA I know that both us and MEDO met. We felt that it would be important for some type of property taxes on this property or payment in lieu of taxes. I guess I was not aware until tonight that they had asked for some alternative to that. The only caution I would have on the Master Plan is it was intended that the future development costs of the balance of the park were to be paid by new property taxes. In the proposed Master Plan there are property taxes that are expected to be paid that would help fund future improvements. We would have to go back and recalculate what the impact of that is going to be if this property did not pay property taxes.

Alderman Lopez asked have you had any type of requests from the School Department in reference to utilizing that as an administrative building.

Mr. MacKenzie answered yes. There was some interest for a couple of years. In the end, they did not make an offer on the property. During that period I think it was the staff's opinion that this site should be used for a property tax paying facility to again help offset the future development costs on Hackett Hill.

Chairman Thibault asked Bob isn't there also and I don't know what word I am looking for here but an aesthetic problem to having this type of a facility in what we are hoping will be a business park. Having a hospital type situation as a gateway to this property, will that help this property or diminish it in any way?

Mr. MacKenzie answered I know that our consultant and you may want to talk to him, Charles Fanasas is here. He has some opinions. I know Jane Hills had some other opinions from other realtors as to what the impact would be. I had some initial reservations about having a non-profit organization in that area, although I do have to say that Easter Seals is a very well respected facility. If they rehab the building and put the expansion on as they propose it will be a nice looking facility and primarily and perhaps only because it is Easter Seals I think it could fit into that area.

Alderman Gatsas stated certainly nobody questions Easter Seals production in the community because I think they do a great job and it is certainly this Board's contention that with the rising property taxes that are out there that looking at a property of \$8 million in lieu of taxes is asking us to do something that the citizens I don't think would be happy with. That is my opinion. I am looking at it and saying how do we do that in lieu of taxes when we are looking to cut services and looking to cut school budgets and looking to cut City budgets with the increase in taxes availing around us. I guess that is a question that somebody needs to...I don't know if you can address it or not because there is no easy answer and if there was an easy answer then it would make all of our lives much easier.

Mr. Gammon stated for Bob's sake I want to clarify that we did not say we wouldn't pay something in lieu of taxes. We are willing to negotiate something. We just don't know what that is. Every dollar, I tried to point out, is going to hurt us in some way. You are pointing out that it hurts you. I guess we would be happy to hear from the City what it thinks we should pay in lieu of taxes. We don't have too many contracts with a municipality. Most everything we do is with the School District so I don't know how we could do that. We can adjust rent and fees on a program like transportation and things like that and I hope I was clear that we are willing to look at that. We can't do the whole full value of the \$8 million. We have already put that in our cash flow and it would not work for us.

Alderman Gatsas stated this current program from what I understand is being moved from one location looking for another location.

Mr. Gammon responded that is what we are attempting to do.

Alderman Gatsas stated and the location you are in right now is paying full property taxes to the City of Manchester.

Mr. Gammon responded yes it is.

Alderman Gatsas asked is there a reason why you couldn't find somebody to buy this property and lease it back as you are currently doing now.

Mr. Gammon asked the property on Hackett Hill.

Alderman Gatsas answered correct.

Mr. Gammon stated it is a possibility that we could do that.

Alderman Gatsas responded if that is a possibility then maybe we should entertain that before we give you offers in lieu of taxes.

Alderman Porter stated I think as part of the discussion just to have some idea of what it represents in taxes would not be unreasonable. \$8 million is probably a cost and it wouldn't necessarily...well I don't want to get too heavily into market value vis a vie costs but if you were to take the \$8 million and apply the City's ratio of 65.1% your assessment times the existing rate, the last rate of \$26.40 would be somewhere around \$140,000 in taxes. There could be some merit in considering that you don't provide an expense to the Schools. Am I correct in that? Rather than that what you are saying is that you are lessening the cost to schools. Even if a consideration were made to be paying the municipal portion of the taxes I am not throwing that out as a solution to this. I am simply saying it is something that I think should be considered in dollars and cents. If you applied the City portion and I don't know exactly but Steve do you recall...I think it is roughly \$12 so you are talking somewhere a little less than half. If you were to take that figure you would be talking somewhere around \$70,000 or \$75,000 in taxes on the first year. If something like that were to be found acceptable and agreeable first of all the premise of accepting the building there to begin with I think is separate. I am just trying to deal with dollars and cents as to what we are talking about. I think it would certainly not be unreasonable to think that you don't put a burden on the county portion of the City's taxes nor on the school portion. Would that be a fair statement?

Mr. Gammon responded that is very fair.

Alderman Porter stated so based on that you would be talking somewhere around \$65,000 to \$70,000 a year for the first year and that of course would go up or down depending on whether the tax rate goes up or down or the distribution between the City portion, County, State school and City school. I just offer that as a consideration of what it really might mean in money. I, myself, do have a difficult time in continuing to take potentially tax generating properties off the tax roles at a time when our commercial tax base is not expanding to what we would like it to be simply through the fault of the market. It is nothing more than a

market generated issue and I think this would be a concern to me in making a decision as to whether to go ahead with something of this nature or not just to be fair and let you know where I am coming from.

Mr. Gammons responded it is helpful to have a number like that.

Chairman Thibault asked, Bob, do you envision any major zoning problems or planning problems up there if in fact once we know all of the facts we either go or not go with this. Do you happen to know any of these facts or have an idea as to how we should go on that?

Mr. MacKenzie answered I know the Building Commissioner is here and we briefly talked about it. There would be some zoning issues that may have to go to the Zoning Board of Adjustment.

Mr. Steve Tellier stated just a brief note. Staff had entertained a lot of these questions that you are considering. Alderman Gatsas, the issue of ownership... were they to sell it to another entity and lease it back to Easter Seals that wouldn't provide the opportunity for a charitable exemption. They would be in the same position they are in the current facility where they are paying the full freight. From my discussions with the City Solicitor's Office and you have Tom here who could speak best to it but the cleanest opportunity for this would be to sell it directly to them and in the contract state that they pay the municipal portion if that is, in fact, the wishes of the Committee and that you put a reverter clause in that because they have already stated that for a couple of reasons they do not wish to waive their right to the charitable exemption and they don't want to set a precedent as I understand it on other charitable entities out there. So, the cleanest form of transfer for ownership as I understand it is that it go directly to Easter Seals stating that they pay the municipal portion of the tax bill, whatever that is, with the reverter clause. I just wanted to add that for discussion purposes.

Chairman Thibault asked when you say municipal portion are you including the school portion.

Mr. Tellier answered I am not. That is a separate issue. Whatever portions of the bill that is the will of the Committee should be stipulated on the contract and I just wanted to add that for clarification.

Alderman Gatsas asked the property that they are located at right now on East Industrial Drive, has that owner come forward for an abatement in taxes in lieu of because of the charitable contribution.

Mr. Tellier answered no they have not because they don't qualify.

Alderman Gatsas stated I guess my position was that if a private entity buys this and leases it back to them as it does on East Industrial Park...

Mr. Tellier interjected they wouldn't qualify.

Alderman Gatsas stated that is where I was coming from and not the Auburn Street property because I understood it very clearly that if somebody else bought it the taxes would be due to the City.

Mr. Tellier replied correct.

Alderman Porter stated I was coming from the Auburn Street side, Alderman. Anyone who receives a tax bill would not be able to be exempt from any portion of that bill so I was coming from the Auburn Street side.

Chairman Thibault asked what does the Committee want to do.

Alderman Gatsas stated I think Mr. Gammon said he would check into whether there was a buyer out there that Easter Seals could lease the building back from like they do right now with the East Industrial property, which would levy the full tax to the City.

Mr. Gammons responded I said we would consider that. The liability for us in that is that it will be very difficult for us to raise contributed income to go towards the cost of this building. We are trying to reduce the cost of ownership where we are of occupancy and one of things is when we agree on a price we have a year and a half to go to the community and say look at the great work we are going to do with these kids there and maybe raise some of the money. If someone else owns it, we may not be able to do that. It still may be a better deal for us than what we have though.

Alderman Gatsas asked do you want us to put this back on the table so you can find out if there is a buyer out there.

Mr. Gammons answered yes. I also want to take Mr. Porter's number and work that into our cash flow in case that is the best case scenario. I will come back and try to make a case that we are not only no burden on the School Department but we are in my opinion saving them quite a bit of money.

Chairman Thibault asked Planning, Building and the Assessor to come up with a figure including the school and municipal that they should be paying in lieu of taxes. If you can come up with a figure that we can look at that would be great.

Also, I would like Mr. LaFreniere to look into any major problems he sees in that area and Mr. MacKenzie to also give input at the next meeting.

On motion of Alderman Gatsas, duly seconded by Alderman Osborne it was voted to table this item.

There being no further business, on motion of Alderman Porter, duly seconded by Alderman Osborne it was voted to adjourn.

A True Record. Attest.

Clerk of Committee